



# Monthly Bulletin

**Volume 6, Number 10**

**April, 2003**

## Women Providing Help to al-Qaeda FBI Warns

The Federal Bureau of Investigation (FBI) is telling law enforcement agencies across the nation to be aware that the al-Qaeda terrorist network may be using women to carry messages, handle financial transactions and provide other logistical support. The information in the FBI's weekly bulletin to 18,000 state and local police agencies follows the global alert issued last month for a Boston woman wanted by the FBI for questioning about possible links to al-Qaeda. The bulletin says that al-Qaeda uses women to open bank accounts, to raise and deliver money and to transfer it among accounts, all in an attempt to reduce the chances of legal scrutiny. "Law enforcement agencies should remain alert to the potential that women may be used to facilitate al-Qaeda financial transactions and should report suspicious activity to the nearest Joint Terrorism Task Force," the April 23 FBI bulletin states. All licensees are reminded to exercise diligence with respect to any financial transactions, which raise questions of suspicious activity, including those involving female customers.

## FDIC Issues Guidance on Sarbanes-Oxley

### Corporate Governance for Non-Public Banks Under \$500 Million

The Federal Deposit Insurance Corporation (FDIC) recently issued guidance on the effect of the Sarbanes-Oxley Act on FDIC-insured banks, including banks with less than \$500 million in total assets that are not public companies. Generally, banks of this size that are not public companies (or subsidiaries of public companies) do not fall within the scope of the Sarbanes-Oxley Act and the SEC's implementing regulations. Also, FDIC-supervised banks that have less than \$500 million in total assets as of the beginning of their fiscal year are not subject to the annual audit and reporting requirements of Section 36 of the Federal Deposit Insurance Act.

Nevertheless, the FDIC has determined that certain provisions of the Sarbanes-Oxley Act represent sound corporate governance practices that smaller, non-public banks are encouraged to adopt and implement. The FDIC has summarized certain provisions of the Sarbanes-Oxley Act that it believes are relevant to FDIC-supervised banks with less than \$500 million in total assets that are not public companies. The

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1810—13<sup>th</sup> Street, Sacramento, CA 95814  
9609 Waples Street, Suite 100, San Diego, CA 92121  
Consumer Compliance

(415) 263-8500  
(213) 897-2085  
(916) 322-5966  
(858) 642-4242  
(800) 622-0620

sound corporate governance practices are detailed in a document that is available at the FDIC Web site, <http://www.fdic.gov/news/news/financial/2003/FIL0317a.html>. Although the guidelines are not mandatory for smaller, non-public companies, the FDIC and the Department of Financial Institutions recommend that each institution consider adopting and implementing the recommended practices to the extent feasible given its size, complexity, and risk profile.

## **OCC Issues Revised Internal and External Audits Handbook after Sarbanes-Oxley**

*Internal and External Audits*, a booklet issued by the Office of the Comptroller of the Currency (OCC), has been revised to clarify OCC guidance with respect to internal and external audits at national banks. The booklet discusses how auditor independence has been redefined by the Sarbanes-Oxley Act of 2002, implementing rules and regulations of the Securities and Exchange Commission, and the recently revised "Interagency Policy Statement on Internal Audit and Its Outsourcing." A copy of the handbook is available at the OCC Web site, <http://www.occ.treas.gov/index.htm>.

## **New on the DFI Web Site—Corporate Governance Page**

### **Resources for bank officers and directors**

As part of the Department of Financial Institution (DFI)'s ongoing efforts to address supervisory issues, the Department will provide useful information and guidance to help foster safe and sound banking practices. The DFI Corporate Governance Page was launched in April to draw attention to corporate governance issues and present information related to corporate governance for banks and their directors to consider in helping them fulfill their duties and responsibilities. This new online resource is located on [www.dfi.ca.gov/licensee/bank/corpgov.asp](http://www.dfi.ca.gov/licensee/bank/corpgov.asp).

## **Grace Foreign Exchange Corporation Voluntarily Suspends Accepting New Business**

Grace Foreign Exchange Corporation, a state-licensed transmitter of money abroad, based in San Francisco, California has voluntarily suspended accepting any new business as of April 12, 2003.

Grace Foreign Exchange Corporation was licensed by the State of California in 1981. The Department of Financial Institutions (DFI) continues to monitor the situation, including all transmissions accepted by consumers before April 12, 2003.

Grace Foreign Exchange Corporation plans to reopen following a reorganization of their corporate business.

Consumers who wish to file a claim should call 1-800-622-0620. Or contact the Transmitter of Money Abroad office of the DFI, by calling Julio Prada at (415) 263-8540 or e-mail: [jprada@dfi.ca.gov](mailto:jprada@dfi.ca.gov).

## **Reminder: Credit Unions Must Amend Articles of Incorporation by December 31, 2003**

With the passage of Assembly Bill 2157 (Papan) (effective September 30, 2002), Section 14101 of the Financial Code was amended to change the purpose clause that appears in every state-chartered credit union's articles of incorporation. Further, Section 14101 requires that each credit union must amend its articles to reflect the new purpose clause. The amendment to the articles must be approved by the Commissioner and filed with the Secretary of State on or before December 31, 2003.

Please refer to Section 14101(b)(1) to find the language that must appear in the amendment. Fortunately, the amendment to the articles may be adopted by a majority vote of the board of directors of a credit union without a vote of the credit union's members.

You are again reminded that a new approval procedure has been adopted by the Commissioner regarding amendments to articles of incorporation. (See 10 CCR Section 10.103.) Any credit union proposing to amend its articles must submit the originally signed articles amendment to the Department for approval. Once approved, the articles amendment will be stamped "approved" and returned to the credit union. The credit union is then required to submit the articles amendment to the Secretary of State for filing. Once the amendment is accepted for filing by the Secretary of State, the credit union is to provide the Department with a copy of the amendment certified by the Secretary of State as being filed with him.

## **Amendments to Credit Union Regulations**

The Commissioner has made changes to the California Code of Regulations (Chapter 1 of Title 10 commencing with Section 30.1, and Subchapter 5, Chapter 1 of Title 10 commencing with Section 5.6000), which are both substantive and nonsubstantive in nature. This article, while not exhaustive in content, highlights the most significant of these regulation changes. It is not intended that this synopsis be a substitute for reading the full text of new regulations, as amended. All changes became effective on March 29, 2003.

### **Section 30.30. Economic Feasibility**

This section has been added to identify what the Commissioner may consider when reviewing for the "economic feasibility" of any proposal made by an existing credit union.

### **Section 30.31. Equity Capital Adequacy**

This section has been added to identify what the Commissioner may consider when assessing the adequacy of the "equity capital" of a credit union.

**Section 30.50. Field of Membership: Family Member**

Gives the board of directors of a credit union discretion to define the term “immediate family member” of a member in connection with determining credit union membership eligibility.

**Section 30.60. Existing Credit Union: Application for Expansion of Field of Membership**

Adds that a field of membership expansion may not occur without the Commissioner’s prior approval (except as authorized pursuant to Section 30.73), and that a credit union may not expand its field of membership except through a bylaw amendment. In addition, this Section provides information necessary for the Commissioner to process a field of membership expansion.

**Sections 30.71 – 30.73. Field of Membership: Definitions/Application for Eligibility to Add Select Employee Groups/Procedure for Eligible Credit Unions to Add Select Groups**

These sections have been added to allow those credit unions granted “eligible” status by the Commissioner an alternative process to expand their fields of membership in an expedited manner (generally after 10 business days). These amendments would essentially allow “eligible” credit unions the ability to add occupational-based associations consisting of 1,000 or fewer members or single employee groups consisting of 1,000 or fewer employees more quickly and efficiently.

Section 30.71 defines terms such as “eligible” and “acceptable rating” for these purposes. Section 30.72 includes what is necessary in an application to request “eligible” status from the Commissioner, as well as the ability of the Commissioner to revoke a credit union’s eligible status. Section 30.73 provides the process “eligible” credit unions must follow to add qualifying occupational-based associations and single employee groups.

**Section 30.102. Delayed Availability of Funds**

Provides that credit unions comply with Regulation CC (12 C.F.R. Part 229) for any delayed availability of funds. A share account is defined as a “deposit account” for purposes of delayed funds availability pursuant to this regulation.

**Section 30.300. Investments**

An amendment was made to require the Board of Directors to review the credit union’s investment policies at least annually, rather than quarterly. In addition, a provision was added to clarify that credit unions may make deposits in other federally insured credit unions.

**Section 30.306. Investments in Fixed Assets and Service Corporations**

Among the amendments to this section was a reduction to the aggregate limit on real and personal property holdings plus credit union service organization investments, from 20% of unimpaired capital and surplus to 10% of unimpaired capital and surplus. This amendment includes a provision that grandfathers

any such aggregate holdings and investments over the 10% limit, provided no additional such holdings or investments are made without the Commissioner's authorization until the aggregate amount is below the 10% limit.

**Section 30.401. Extensions, Refinances, Renegotiations or Revisions**

What was a regulation to restrict the extension, refinance or revision of a "delinquent" loan, has now been changed to address the extension, refinance, renegotiation or revision of any loan, regardless of its delinquency status. General or contractual skip payment extensions are not considered extensions for purposes of this regulation, subject to specified conditions.

**Section 30.402. Charge-off of Obligations**

Significant changes have been made to tighten the DFI's charge-off regulations. Essentially, a loan becomes subject to charge-off if a full contractual payment that reduces the principal balance of a loan has not been received within the past 180 days, and the borrower is not under either a Chapter 11 or 13 bankruptcy reorganization. Notwithstanding this, the new regulation provides that a loan will become subject to charge-off at the time it is deemed uncollectable by the Board of Directors or the Commissioner. The amount of charge-off may be reduced under certain specified conditions. The Board of Directors has up to 30 days to charge off any obligations qualifying as subject to charge-off under this regulation.

**Sections 30.404 and 30.405. Regular Reserves - Maintenance and Transfers**

The substantive amendments to this regulation remove the old Regular Reserve transfer requirements for federally insured credit unions only. Credit Unions whose share accounts are insured other than by the National Credit Union Share Insurance Fund must continue to make the required Regular Reserve transfers. Under the conditions specified in Section 30.405, non-federally insured credit unions that have a Regular Reserve equal to at least 6% of total risk assets may transfer any or all of the excess to undivided earnings with board approval. Also, reserve transfers in excess of the minimum required may be made from undivided earnings with board approval, no longer requiring prior approval of the Commissioner.

**Section 30.700. Report Regarding Officers and Directors**

The time of filing the annual report with which a credit union informs the Commissioner of the current list of officials and the CEO has been extended from 15 days to 30 days from the date of the annual meeting to elect officials. In addition, the required filing of any changes in a credit union's manager or CEO has also been extended from 10 days to 30 days from the date of change. The amended regulation

no longer requires that credit unions immediately report changes in volunteer officials. The filing of the annual list of officials will suffice for keeping the Commissioner informed of these changes.

### **Section 30.801. Loan Officer Extensions and Deferred Payments**

As amended, this regulation changes the limits on the number of loan extensions and deferred contractual payments that a loan officer can make on his or her own loan authority.

### **Section 30.802. Obligations Secured by Real Property**

Extensive changes were made to this regulation that should be reviewed in detail. A few of the more pertinent changes are summarized below:

1. A full title insurance policy is required for all first lien position real property-secured loans that are not exempted by this section. An abbreviated title policy may be obtained for any junior lien real property-secured loans where the aggregate of all junior liens held by the credit union do not exceed \$100,000.
2. Exceptions have been added to this regulation which exempt certain loans secured by real property from the **individual** requirements of this regulation. These exceptions are as follows:
  - a. Obligations with a principal balance of \$50,000 or less.
  - b. Loans conforming to Fannie Mae/Freddie Mac underwriting guidelines, with adequate documentation.
  - c. Loans defined as Alternative Mortgage Transactions, with adequate documentation to justify this classification.
  - d. Any member business loan, as that term is defined pursuant to NCUA Regulations.

### **Section 30.901. Valuation or Appraisal of Personal and Real Property**

Includes an amendment that real property security for obligations must include a valuation or appraisal in accordance with Part 722 of NCUA Regulations.

### **Section 30.1000. Audit Reports**

Amendments to identify the necessary components of an audit report to be considered acceptable to the Commissioner for purposes of compliance with the statutory annual reporting requirements.

### **Section 30.1001. Independent Accountant**

This section has been amended to refer outside accountants to Rule 101 of the Rules of Professional Conduct of the American Institute of Certified Public Accountants to assess independence on their business dealings with credit union clients.

# All Licensees Reminded to Notify DFI of Office Openings, Closings and Relocations

Starting in May, the *Monthly Summary of Pending Applications* will be expanded to include notices of credit union branch openings, closings and relocations.

The *Monthly Summary* provides a recap of information about applications filed with the Department of Financial Institutions (DFI) for a wide range of application types. The *Monthly Summary* is located on the DFI Web site at: <http://www.dfi.ca.gov/summary/summary.asp>

We take this opportunity to remind all licensees to promptly provide us with written notice before an office is to be established, relocated or discontinued. By doing so, you will help us insure that the information we publish in the *Monthly Summary* will be timely and accurate.

DFI appreciates your assistance in helping to keep our records up-to-date. Questions about the *Monthly Summary* may be directed to Patrick Carroll at (415) 263-8559 or by e-mail to [pcarroll@dfi.ca.gov](mailto:pcarroll@dfi.ca.gov).

## Commercial Bank Activity

### New Bank

Bank of Escondido  
200 West Grand Avenue, Escondido, San Diego County  
Correspondent: Joseph D. Reid III  
Capitol Bancorp Limited  
200 Washington Square North  
Lansing, MI 48933  
Phone: (517) 3721376  
Filed: 4/1/03

California Community Bank  
Proposed Location: 1320 and 1334 West Valley Parkway, Escondido, San Diego County  
Correspondent: Maryam Hamzeh  
Carpenter & Company  
5 Park Plaza, Suite 950, Irvine, CA 92614  
Phone: (949) 261-8888  
Approved: 4/3/03

Redwood Capital Bank  
In the city of Eureka, Humboldt County  
Correspondent: Maryam Hamzeh  
Carpenter & Company  
5 Park Plaza, Suite 950, Irvine, CA 92614  
Phone: (949) 261-8888  
Filed: 4/10/03

**New Banks (Continued)**

Torrey Pines Bank

Proposed location: 550 West C Street, Suite 100, San Diego, San Diego County

Correspondent: Robert Sarver

PO Box 675847

Rancho Santa Fe, CA 92067

Phone: (619) 322-8811

Approved: 4/15/03

Ventura County Business Bank

366 West Esplanade Drive, Oxnard, Ventura County

Officers: Gerald J. Lukiewski, President and Chief Executive Officer

Charles A. Myers, Chief Credit Officer

John A. Podlesni, Chief Financial Officer

Phone: (805) 604-7600

Web site: [www.venturacountybusinessbank.com](http://www.venturacountybusinessbank.com)

Capitalization: \$11,005,905

Opened: 4/3/03

**Merger**

Central Sierra Bank, San Andreas, with and into Central California Bank, Sonora

Filed: 4/29/03

The Express Bank, Alvin, Texas, with and into Chinatrust Bank (U.S.A.), Torrance

Effectuated: 4/14/03

First Bank & Trust, San Francisco, with and into First Bank, Creve Coeur, St. Louis County, Missouri

Effectuated: 3/31/03

First Continental Bank, Rosemead, with and into United Commercial Bank, San Francisco

Filed: 4/28/03

North State National Bank, Chico, with and into Tri-Counties Bank, Chico

Effectuated: 4/4/03

**Conversion to National Bank**

Mellon 1st Business Bank, to convert to a national bank as Mellon 1st Business Bank, National Association

Effectuated: 4/1/03



**Purchase of Partial Business Unit**

Cathay Bank, Los Angeles, to acquire the New York Branch of CITIC International Financial Holdings Limited, dba CITIC Ka Wah Bank Limited, New York

Approved: 4/24/03

**Sale of Partial Business Unit**

California Bank & Trust, San Diego, to sell its trust assets to Western National Trust Company, Salt Lake City, Utah

Filed: 4/1/03

**Acquisition of Control**

Service 1st Bancorp, to acquire control of Service 1st Bank, Stockton

Filed: 4/17/03

Approved: 4/29/03

**Correction**

The acquisition of control for Southwest Community Bancorp to acquire control of Southwest Community Bank, Encinitas, was approved on March 25, 2003, not March 5, 2003 as reported in the March 2003 issue of the Monthly Bulletin.

**Premium Finance Company Activity****New Premium Finance Companies**

Altair Premium Finance Corp.

2501 East Chapman Avenue, Suite 100, Fullerton, Orange County

Filed: 4/7/03

Capitol Payment Plan of California, Inc.

21820 Burbank Boulevard, Suite 300, Woodland Hills, CA 91367

Filed: 4/7/03

CIBA Financial Services, Inc.

523 West 6<sup>th</sup> Street, Suite 716, Los Angeles, Los Angeles County

Filed: 4/2/03

Premium Payment Plan Inc.

2383 Buena Vista Avenue, Livermore, Alameda County

Filed: 4/2/03

RSA Premium Finance Company

2501 East Chapman Avenue, Suite 100, Fullerton, Orange County

Filed: 4/7/03

Snowcrest Funding, Inc.  
2501 East Chapman Avenue, Suite 100, Fullerton, Orange County  
Filed: 4/2/03

U.S. Capital Associates of California, Inc.  
21820 Burbank Boulevard, Suite 300, Woodland Hills, Los Angeles County  
Filed: 4/22/03

### **Acquisition of Control**

Independent Bank Corporation/Independent Bank to acquire control of Mepco Acceptance Corporation, Encino  
Approved: 4/11/03

## **Foreign (Other Nation) Bank Activity**

### **New Office**

Grand Commercial Bank  
In the vicinity of Colima and Azusa Avenues, City of Industry, Los Angeles County (Wholesale Branch)  
Withdrawn: 3/28/03

### **Discontinuance of Office**

Banca Intesa S.p.A.  
444 South Flower Street, Los Angeles, Los Angeles County (Nondepository Agency)  
Discontinued: 3/31/03

Banca Nazionale del Lavoro, S.p.A.  
660 South Figueroa Street, Los Angeles, Los Angeles County (Representative Office)  
Discontinued: 4/30/03

The Siam Commercial Bank, PCL  
601 South Figueroa Street  
Los Angeles, Los Angeles County  
Discontinued: 9/31/01

## **Foreign (Other State) Bank Activity**

### **New Facility**

RBC Centura Bank, Rocky Mount, North Carolina  
dba RBC Builder Finance (Facilities – Insured Bank)  
9255 Towne Centre Drive, Suite 240, San Diego, San Diego County  
2360 East Bidwell Street, Suite 111, Folsom, Sacramento County  
2175 North California Boulevard, Suite 240, Walnut Creek, Contra Costa County  
Opened: 2/1/03

TIB-The Independent Bankers Bank (Facility – Insured Bank)  
17011 Beach Boulevard, Huntington Beach, Orange County  
Notified: 3/24/03  
Opened: 4/25/03

## **Credit Union Activity**

### **Merger**

Del Monte S.F. Employees Federal Credit Union, San Francisco, into California Preferred Credit Union, San Francisco  
Approved: 8/2/01  
Effectuated: 12/10/01

Paramount Studio Employees Federal Credit Union, Hollywood, into First Entertainment Credit Union, Hollywood  
Effectuated: 4/4/03

Providence First Credit Union, Burbank, into Priority One Credit Union, South Pasadena  
Effectuated: 4/4/03

### **Field of Membership**

Five credit unions received approvals to add 17 new fields of membership during March 2003.

### **Bylaw Amendments**

One credit union received approval for one bylaw amendment during March 2003.

## **Transmitter of Money Abroad Activity**

### **New Transmitter**

Envios R.D. Corp.  
Approved: 5/3/02  
Licensed: 4/8/03

G&T Continental Transferencias Mundiales, Inc.  
Filed: 4/22/03

### **Voluntary Surrender of License**

Cong Ty Chuyen Tien Vietnam, Inc.  
9304 Bolsa Avenue, Westminster, Orange County  
Effectuated: 4/29/03

## Payment Instrument Activity

### New Payment Instrument

DolEx Dollar Express, Inc.  
700 Highlander Boulevard, Suite 450  
Arlington, TX 76015  
Filed: 9/3/02  
Approved: 4/7/03  
Licensed: 4/22/03

Navicert Financial Inc.  
17019 Kingsview Avenue  
Carson, CA 90746  
Filed: 4/22/03

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**DONALD R. MEYER**  
Commissioner of Financial Institutions

Bulletin for Month ended  
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to Financial Code, Section 258



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